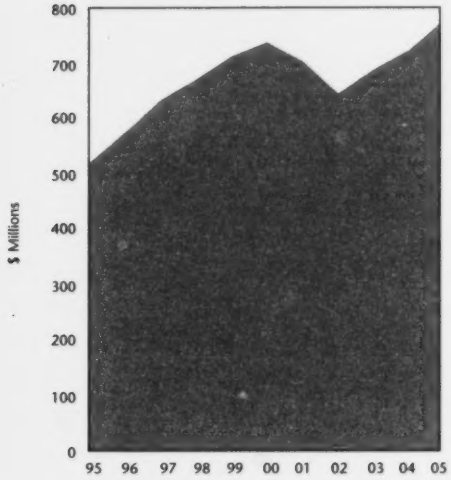
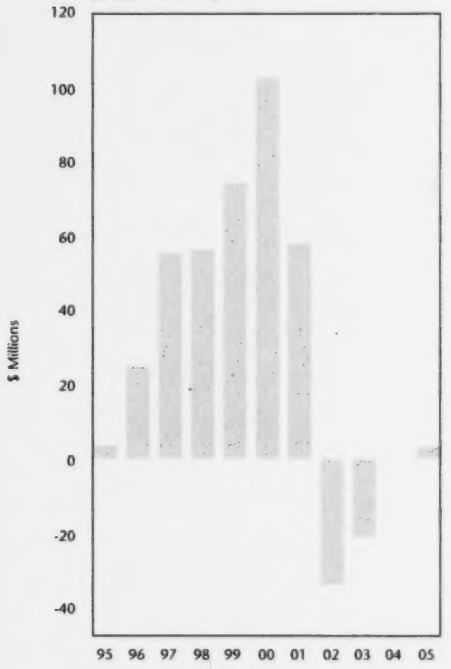
Power Corporation Superannuation Plan
Annual Report 2005

2005 Overview

Net Assets Available for Benefits
(as at December 31)



Surplus/(Deficit)
(as at December 31)



Financial Overview

(in millions)	2005	2004
Investments, at market		
Short-term securities	$ 6	$ 87
Bonds	262	249
Equities	503	380
Receivables	2	3
Cash	1	1
Total assets	774	720
Liabilities	1	1
Net assets available for benefits	773	719
Accrued pension benefits, end of year	770	719
Surplus/(deficit)	$ 3	$ –

Changes in Net Assets Available for Benefit

(in millions)	2005	2004
Increases:		
Investment income	$ 23	$ 21
Increase in market value of investments	67	47
Contributions	7	9
	97	77
Decreases:		
Superannuation allowances	41	39
Refunds and transfers	–	1
Administration expenses	2	2
	43	42
Changes in net assets	$ 54	$ 35

Investment Performance

Rates of return (%)	2005	2004
Plan actual rate of return	13.2	10.3
Plan benchmark	10.8	9.2
Four-year rolling average return	8.5	5.5
Four-year rolling benchmark	6.6	3.3

Significant Events

Annual Benefits Statements: During the year, annual benefit statements were distributed for the year ending December 31, 2004, to all active and deferred members. These statements reflect basic pension information and are expected to be distributed annually.

Ad Hoc Increase: Although the Plan is not formally indexed, the Government of Saskatchewan annually reviews the level of pension paid to superannuates. As a result of this review, the Lieutenant-Governor in Council may declare an increase up to the average of the Consumer Price Index (CPI) for Saskatoon and Regina in the previous calendar year, subject to the maximum increase permitted under *The Income Tax Act*.

These increases are commonly called ad hoc increases and are made on a one-time-only basis, with no promise of future increases. In 2005, an ad hoc increase of 1.0% was declared. Ad hoc increases have been granted in 14 of the past 21 years and have ranged from 1.0% to 2.9%.

Funding of the Plan: In 2005, SaskPower contributed approximately $4.7 million to the Plan. This amount was based on the recommendation of the actuary from the 2004 funding valuation. SaskPower has committed to another funding valuation being completed as at December 31, 2005, and will make a decision regarding the amount of future contributions once the actuary's report is available.

Board Composition: In December, 2005, Bill Jones was appointed Chair of the Board and Robert Haynes was appointed to the Board as a representative of SaskEnergy. Bill and Robert replaced Bill Hyde and Wendy McCullough respectively.

Power Corporation Superannuation Plan Board Mission Statement

To provide continuous pension benefits for Plan members through prudent stewardship of assets, liabilities and effective Plan administration in accordance with current legislation.

This report summarizes certain provisions of the Power Corporation Superannuation Plan. Please note that this report does not create any rights to benefits not provided for in the actual terms of the Plan. In the event of any conflicts or omissions the legal requirements of the Power Corporation Superannuation Plan will govern in all cases.

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Message from the Chair

On behalf of the Board of the Power Corporation Superannuation Plan and the staff of SaskPower who manage and administer it, I am pleased to submit the 2005 Annual Report. This report is intended to provide Plan members with information pertaining to activities, performance and governance.

The Plan experienced solid financial results in 2005, largely due to strong but prudent investment performance of assets and a $5 million employer contribution from SaskPower. The Plan achieved a 13.2% rate of return on investments in 2005, putting it in the second quartile when compared to other plans across Canada. This investment performance was up from 10.3% in 2004. The employer contribution for 2005, while down somewhat from 2004, was made by SaskPower in accordance with the recommendation of the Plan's actuary.

The Plan ended 2005 with net assets available for benefits to members totalling $773 million, an increase of $54 million from the year before. Accrued pension benefits as at the end of 2005 amounted to $770 million, up $51 million from 2004. Therefore, the Plan's financial position has moved to a surplus of $3 million for 2005 from a $100,000 deficit in 2004. SaskPower has requested that the actuary prepare a new funding valuation and recommendation for the Plan as at December 31, 2005. This will be used by the company in its decision regarding an employer contribution in 2006.

In 2005, the Plan provided pensions to 1,724 members totalling $41 million, compared to 1,704 members totalling $40 million in 2004. There were 24 members eligible for a deferred pension in 2005, four less than in 2004. Also, 527 members were employed and making contributions in 2005, down from 569 in the previous year.

The Plan has been substantially closed to new members since October 1, 1977. Consequently, over the next several years the number of members who retire and receive pensions is expected to continue to increase, while the number of members working and paying into the Plan is anticipated to decrease.

This past year marked a change to the composition of the Plan's Board. First, on behalf of the Board and staff, I would like to thank departing Board members Bill Hyde, who served as Chair, and Wendy McCullough for their service and significant contribution to the Plan and wish them all the best for the future.

Second, I would like to recognize and express appreciation to Myron Gulka-Tiechko, who did an excellent job serving as Acting Chair of the Board from May to December, 2005, following Bill Hyde's departure.

Third, I welcome Robert Haynes who joined the Board at the same time I did in December, 2005.

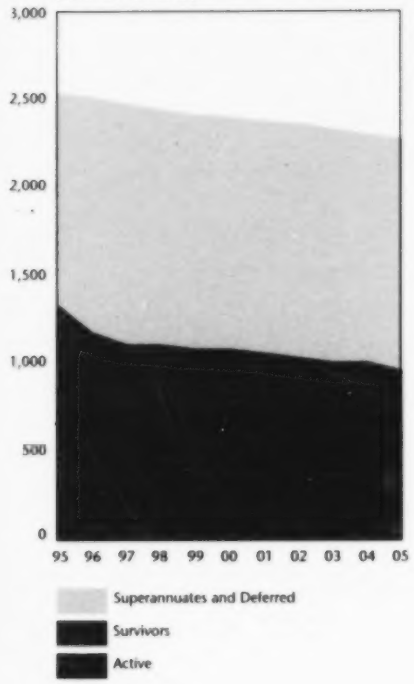
Looking back on 2005, I commend the Board and staff for their significant commitment and contribution to the Plan. I also look forward to working together with them in the future for the benefit of Plan members.

W. Davern Jones

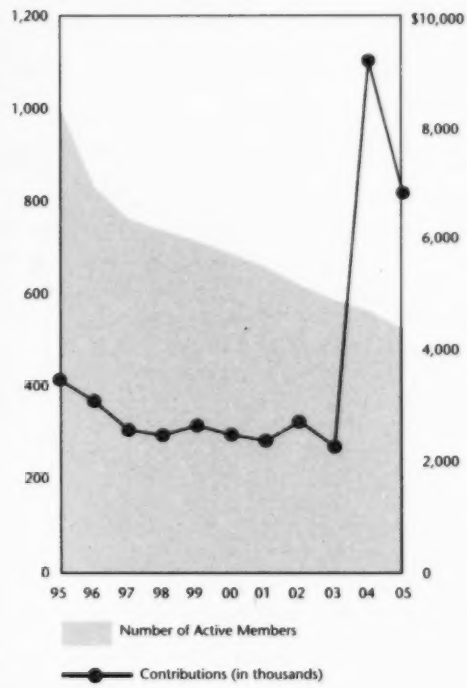
W. Davern Jones, Chair

Power Corporation Superannuation Board

Plan Membership
(number of members)



Active Membership



Plan Profile

The Power Corporation Superannuation Plan (the Plan) originated with the passing of *The Power Commission Superannuation Act* in 1944. This defined benefit pension plan is governed by *The Power Corporation Superannuation Act* (the Act) of 1950 and *The Superannuation (Supplementary Provisions) Act*. It is maintained by the Saskatchewan Power Corporation (SaskPower) for employees who were hired prior to October 1, 1977, and who did not elect to transfer to the defined contribution plan before October 1, 1978.

SaskPower, through the Act, guarantees the members' basic pension regardless of the financial status of the Plan. The value of a member's basic pension depends on a number of factors, including salary and years of service at retirement. Optional pension forms require the consideration of additional factors, such as a member's age and the spouse's age.

The Plan is financially sound and holds a well-diversified portfolio of debt and equity investments. Net assets totalled $773 million at year-end. While approximately $476 million or 62% of the Plan's assets are invested within Canada, the Plan also has equity investments in over 30 countries around the world. This diversification helps to maximize the return on assets and minimize the impact of volatility in individual markets.

Plan Demographics

The Plan has been substantially closed to new members since October 1, 1977. As a result, the number of active members has decreased steadily, primarily through retirement. The average service time for active members is 31.3 years. Therefore, it is expected that the number of active members will continue to decrease in the future, as more members begin to receive a pension.

Approximately 76% of the total members are receiving benefits. In 2005, there were 1,724 receiving a pension, 24 eligible for a deferred pension and 527 active members.

Included in the Plan's active membership are SaskPower employees, as well as employees of SaskEnergy or other corporations that have been designated institutions by the Lieutenant-Governor in Council. Effective June 28, 2001, these institutions are required to make contributions at a rate recommended by the Plan actuary.

During the year, the Plan paid approximately $40 million in benefits, with an average annual pension payment of $23,669. Both members and employers (SaskPower and designated institutions) have contributed to the Plan's funding. In 2005, it received contributions of approximately $7 million, comprised of $2 million from employees and $5 million from institutions. Since inception, the cumulative total of employer contributions has been 53% or $127 million; the cumulative total of employee contributions has been 47% or $111 million.

An actuarial valuation for funding purposes is prepared, at a minimum, every three years and is used to ensure that Plan assets and contribution levels are adequate to provide long-term benefits. As the corporation responsible for providing retirement benefits, SaskPower uses this valuation to determine its funding requirements.

As the Plan continues to mature, the ratio of active members to pensioners will continue to decline. This maturation is also evident in the increasing cost of pensions compared to contributions, making the Plan more reliant on investment returns.

The priority of the Power Corporation Superannuation Board (the Board) is to ensure that all members receive the secure benefits to which they are entitled. To deliver the pension promise, the Board serves as a vital governance check to ensure that investment returns are maximized and the Plan's assets are managed prudently.

Significant Events in 2005

Annual Benefits Statements: During the year, annual benefit statements were distributed for the year ending December 31, 2004, to all active and deferred members. These statements reflect basic pension information and are expected to be distributed annually.

Ad Hoc Increase: Although the Plan is not formally indexed, the Government of Saskatchewan annually reviews the level of pension paid to superannuates. As a result of this review, the Lieutenant-Governor in Council may declare an increase up to the average of the Consumer Price Index (CPI) for Saskatoon and Regina in the previous calendar year, subject to the maximum increase permitted under *The Income Tax Act*.

These increases are commonly called ad hoc increases and are made on a one-time-only basis, with no promise of future increases. In 2005, an ad hoc increase of 1.0% was declared. Ad hoc increases have been granted in 14 of the past 21 years and have ranged from 1.0% to 2.9%.

Funding of the Plan: The Plan's actuary performs a valuation for funding purposes at least once every three years. This type of analysis projects the amount of money required in the Plan in order to fund all future benefits and provides advice about the future level of contributions. It is anticipated that the last of these benefits will be paid in 2070. When preparing a funding valuation, a number of assumptions and best estimates are made. Typically conservative in nature, these include expected rates of return on assets, rates for salary and ad hoc increases and mortality rates. Using these assumptions, the Plan had a deficit of $6 million as of December 31, 2004.

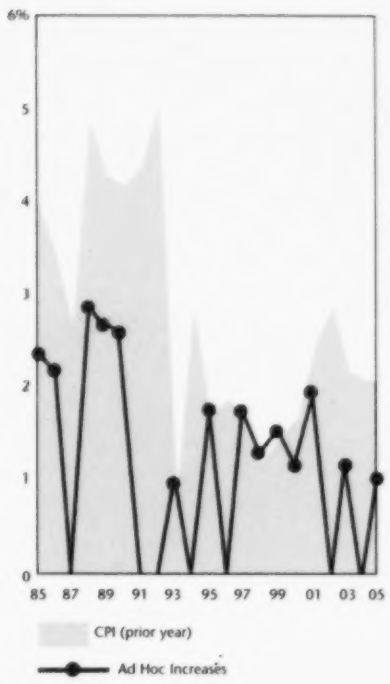
In 2005, SaskPower contributed approximately $4.7 million to the Plan. This amount was based on the recommendation of the actuary from the 2004 funding valuation. SaskPower has committed to another funding valuation being completed as at December 31, 2005, and will make a decision regarding the amount of future contributions once the actuary's report is available.

Board Composition: In December, 2005, Bill Jones was appointed Chair of the Board and Robert Haynes was appointed to the Board as a representative of SaskEnergy. Bill and Robert replaced Bill Hyde and Wendy McCullough respectively.

Plan Governance

The Power Corporation Superannuation Plan Board is responsible for the overall governance and administration of the Plan. Board members are appointed by the Lieutenant-Governor in Council pursuant to *The Power Corporation Superannuation Act*.

Ad Hoc Increases



PENSION FACT

The term "retirement" dates back to the 1880s when German Chancellor Otto von Bismarck decided to reward workers who reached the age of 65 with a state pension. Back then, however, the average life expectancy was only 45.

Role of the Board: The Board selects the Plan's actuary, custodian and investment managers, and sets the investment policy of the Plan. The Board is also responsible for the stewardship of the Plan, overseeing the identification and management of principal risks, the performance of investment managers, and the adoption of procedures that provide effective communication and ensure the integrity of internal controls. Board Members must ensure they comply with the provisions of *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations*. In addition, the Board is responsible for the sound investment and professional administration of the Plan on behalf of members, superannuates and sponsors. It reviews investment policies and performance, evaluates pension liabilities and ensures that financial statements are prepared in accordance with Canadian generally accepted accounting principles. The Board bases its decisions on comprehensive research, input from expert advisors and thorough discussion. It also monitors the Plan's overall administration to satisfy itself that members and superannuates receive the benefits to which they are entitled as per governing legislation.

Board Composition

Bill Jones
Chair
Vice-president and Chief Financial Officer
Corporate and Financial Services
SaskPower

Myron Gulka-Tiechko
Vice-chair
Vice-president and General Counsel
SaskPower

Robert Haynes
SaskEnergy Representative
Vice-president
Human Resources
SaskEnergy

Ken Pielak
Employee Representative
Communications, Energy and Paperworkers (CEP)
SaskEnergy

Grant Ring
Treasurer
SaskPower

Brian Ross
Employee Representative
International Brotherhood of Electrical Workers (IBEW)
SaskPower

Jack Shepherd
Superannuate Representative
Power Pioneer Association Inc.

Mel Watson
SaskPower Board of Directors
Served in an observer capacity in 2005.

Governance: In 2005, the Board hired Hewitt Associates to assist in revising its Governance Manual. Components reviewed include the identification of specific roles and responsibilities of the Board, plan administrators, investment managers and independent experts. Guidelines have also been created around Board development and are designed to maintain the effectiveness of the overall governance structure.

Board Training: Board Members bring forward the benefits associated with diverse experiences and a variety of attributes. However, it is also important they remain current with respect to the many issues surrounding prudent management of a pension plan. To this end, approval is granted for up to $6,000 to be allocated to each Board Member during each fiscal year for training and development. These fees are paid by the Plan. The following is a summary of Board Member training costs.

Myron Gulka-Tiechko	Advanced Trustee Management Standards Part II and 38th Annual Canadian Employee Benefits Annual Conference, Vancouver, BC	$ 5,278
Jack Shepherd	International Foundation Training Seminar & 38th Annual Canadian Employee Benefits Conference, Vancouver, BC	3,823
Wendy McCullough	Advanced Trustee Management Standards Part II, Vancouver, BC	2,933
Ken Pielak	Advanced Trustee Management Standards Part I, and Canadian Investment Institute, Southampton, Bermuda	6,000
Brian Ross	Advanced Trustee Management Standards Part II and 38th Annual Canadian Employee Benefits Conference, Vancouver, BC	5,614
TOTAL		**$ 23,648**

These costs do not include any Board Member training paid for by SaskPower or any other institution. Board Members serve in a voluntary capacity and do not receive compensation for their services from the Plan. They are, however, reimbursed for travel-related expenses by the Plan sponsor, SaskPower.

Board and Management: Although the Board is responsible for overseeing the administration of the Plan, SaskPower is responsible for its day-to-day operations. The Corporation's management is expected to act within Board-approved policies and directives.

On a monthly basis, SaskPower staff are involved in monitoring the activities of the investment managers and reviewing the asset mix. They also serve as the primary contacts for member queries. SaskPower management reports to the Board on a regular basis, providing details of financial transactions, investments, retirement benefit activity and overall performance.

Independent Experts: The Statement of Investment Policies and Goals (the Policy) provides guidelines for the investment and monitoring of Plan assets. These were established to earn the best possible return on investments based on a level of risk acceptable to the Board. The Board reviews the policy annually and changes are made as necessary.

The Policy outlines a governance structure that allows the Board to retain the services of independent experts to assist it in fulfilling its responsibilities. The Board contracts independent actuarial, investment and accounting professionals, as well as a custodian.

The Board is required to meet at least annually with the investment advisor and each of the investment managers to discuss investment performance, strategies and expected future performance. As well, the Board meets with the actuary to review assumptions and valuation results and with the Plan's external auditor before and after the annual audit of the financial statements.

In 2005, the Board convened quarterly to review the financial results and the performance of the Plan as well as retirement benefit activity.

Investment Managers: Investment managers at December 31, 2005, were:

• Canadian Equity	Jarislowsky Fraser Limited
• Canadian Equity and Bond	Greystone Managed Investments Inc.
• Global Equity	Templeton Management Limited
• International Equity	Goldman Sachs and Hansberger Global Investors (affiliates of Greystone Managed Investments Inc.)
• U.S. S&P 500 Equity Index	Barclays Global Investors (October – December) & Northwater Capital Management Inc. (January - September)

Investment managers are chosen with respect to their expertise and style within a particular asset class. The Board has a formal agreement with each investment manager that contains a mandate formulated to optimize the risk/return profile for each asset class. The investment managers report the results to the Board on a quarterly basis.

In October of this year, Barclays Global Investors (BGI) replaced Northwater Capital Management Inc. as manager of the U.S. S&P 500 mandate. The move to Barclays came as a result of the federal government's decision to eliminate the foreign content restrictions on registered investments.

PENSION FACT

According to the 2005 Canadian Pension Fund Investment Overview, the Power Corporation Superannuation Plan is ranked 134th in Canada in terms of net assets and is the 7th largest pension plan in Saskatchewan.

Investment Advisor: During the first quarter of 2005, the Board appointed James P. Marshall to serve as investment advisor to the fund. The role of the investment advisor is to provide an analytical review of the total fund, asset classes and the investment managers' performance. This assessment is completed relative to peer and Plan benchmarks, as well as each manager's style and risk characteristics. The investment advisor subsequently comments on the acceptability of performance, while advising the Board on overall investment policy and management that would best achieve Plan objectives.

Custodian: RBC Dexia Investor Services serves as the Plan's custodian. In this role, the custodian holds custody of the assets and is responsible for executing investment transactions and collecting income. The custodian also provides record-keeping services, while monitoring investments to ensure they are in compliance with both the individual investment manager mandates and the Plan's overall statement of investment policies and goals.

Actuary: The role of Aon Consulting Inc. is to prepare actuarial valuations for accounting purposes annually and for funding purposes every three years, or as requested. The actuary also provides the Board with information regarding administration of the Plan, and makes recommendations related to policies on benefits and funding. The actuarial opinion and cost certificate is found on page 10.

Auditors: External auditors are contracted to perform annual audits of the Plan's fiscal year-end financial statements prepared by SaskPower management. The audit focuses on the existence, completeness and valuation of assets; the measurement of income and expenses; and the fairness of presentation in accordance with Canadian generally accepted accounting principles. In compliance with professional standards, the auditor communicates with the Plan's actuary and reviews the actuarial report for consistency with other information reviewed in the course of the audit.

Deloitte & Touche LLP conducted an independent examination of the Plan's year-end financial statements. The firm's professional opinion on the financial statements is found in its Auditors' Report attached to the financial statements. On an annual basis, the Provincial Auditor also reviews the financial statements, as well as overall Plan governance, internal controls and legislative compliance.

Pension Communications: A pension Communication Committee — comprised of superannuate, union and management representation — works to help improve members' understanding of plan provisions and disseminates significant legislative changes in a timely manner. During the past seven years, it has distributed the Pension Update newsletter to all Plan members.

The Power Corporation Superannuation Plan Annual Report is also provided to all members. Financial statements, investment performance, actuarial valuation assessment and membership profile are among the items highlighted.

Investment Highlights

Investment Strategy: The investment objective of the Plan is to meet current and future pension payment obligations. As a result, assets are invested in a diversified portfolio that will generate adequate and consistent returns to meet both current and future financial obligations. The funds are placed with a number of investment managers who then invest in a wide range of securities and asset classes. Each manager is assigned a specific sector, including Canadian equities and bonds, and progress is monitored against a pre-determined benchmark. By combining different types of investments in a portfolio, the negative effects of fluctuations in the markets are minimized and the risk of having a large loss is reduced.

Investment Policy: The Plan has a Statement of Investment Policies and Goals (the Policy) approved by the members of the Power Corporation Superannuation Board. It reflects the philosophy of diversification and protection of capital and provides guidance to investment managers. The purpose of the Policy is to outline investment principles, guidelines and monitoring procedures that are appropriate for governance. The Policy conforms to applicable legislation and the specific characteristics of the Plan.

At present, the Plan's target asset mix is 65% equity/35% fixed income. However, the actual mix at any one time may differ from this target due to fluctuations in the market. Early in 2005, the federal government announced the removal of foreign content restrictions on registered plans. As a result, the Power Corporation Superannuation Plan switched from an investment strategy involving the use of futures contracts to replicate the returns of the Standard & Poor's (S&P) 500 while still being considered Canadian content to simply utilizing a pooled fund designed to track the performance of the S&P 500.

The Policy has the following objectives:

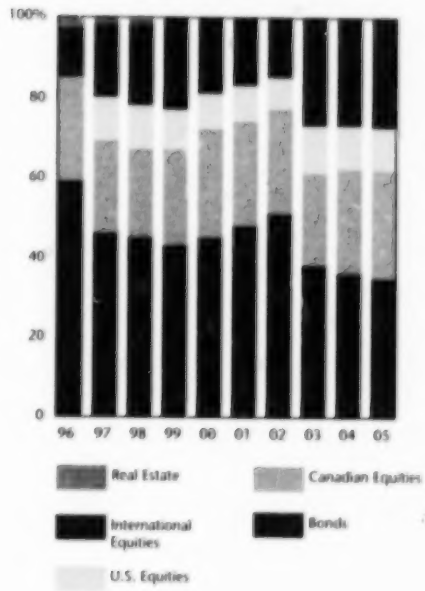
- to ensure the Plan has sufficient assets to meet future pension obligations;
- to optimize the risk/return relationship of the Plan; and
- to generate sufficient cash flow to meet ongoing pension payments.

Monitoring performance is a key activity in supporting the investment objectives. The Policy outlines a benchmark portfolio comprised of market index assets weighted at the same asset allocation that is normal for the Plan. While broadly diversified, the benchmark portfolio emphasizes equity over fixed income investments on the basis of substantial evidence that, over time, equities provide superior returns. The Plan's primary objective is to achieve a return superior to the asset mix benchmark shown in pie chart at right.

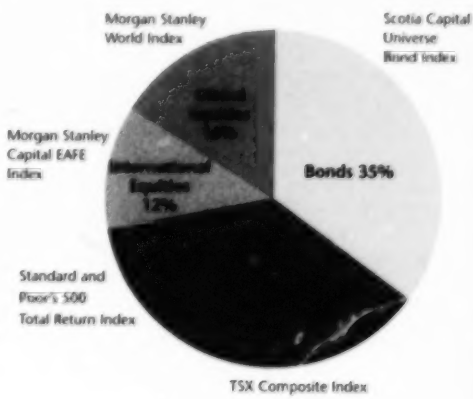
A secondary objective is to achieve a long-term rate of return of the average increase in the Consumer Price Index (CPI) for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles (i.e.: over a four to 10 year period).

To ensure diversification and risk control, the Policy sets out guidelines for asset mix, individual equity/bond holdings, industrial sector holdings, debt ratings and bond duration.

Asset Allocation 1996-2005



Benchmark Portfolio Composition


Morgan Stanley World Index
Scotia Capital Universe Bond Index
Morgan Stanley Capital EAFE Index
Bonds 35%
Standard and Poor's 500 Total Return Index
TSX Composite Index

Investment Highlights

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A secondary objective is to achieve a long-term rate of return of the average increase in the Consumer Price Index (CPI) for Canada plus 4% per annum. These two objectives should be viewed as an average annual compound rate to be sought over one or more complete capital market cycles (i.e.: over a four to 10 year period).

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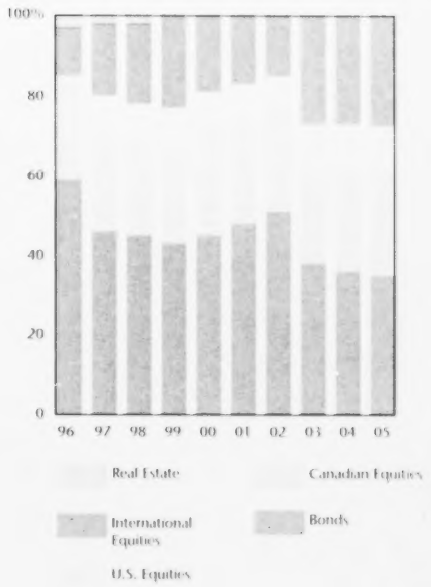
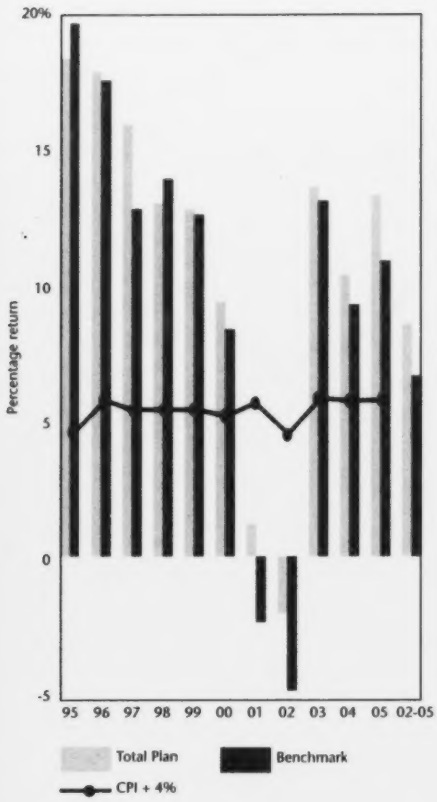
Asset Allocation 1996-2005



Benchmark Portfolio Composition

Plan Performance



Investment Performance: The Plan's performance is measured by comparing its return to that of the benchmark portfolio. During 2005, the Plan achieved a rate of return of 13.2%, beating the Plan's benchmark return of 10.8%. All asset classes, with the exception of U.S. equities, achieved rates of return higher than their benchmark in 2005.

A common standard within the pension fund industry is to calculate performance on a four-year cycle. This longer-term measure has greater relevance and lower volatility than a one-year measurement. Over the period 2002-2005, the Plan averaged an annual return of 8.5% as compared to the benchmark average of 6.6%.

The graph illustrates that returns fluctuate from year to year. The underlying volatility of individual asset class returns is even more pronounced. The Policy sets out a diversification strategy designed to mitigate the effects of this volatility. As a result, the Plan's returns have historically been more stable than the returns of any single asset class.

Financial Highlights

2005 saw the third consecutive year of solid performance by the Plan's assets. As countries such as China and India continue their rapid expansion, their demand for Canadian resources remains strong. High oil and commodity prices provided tremendous stimulus to the Canadian economy. The Plan currently has 25% of its holdings allocated to Canadian equities and was able to earn a 28.5% return on these assets. Overall, the Plan ended the year with net assets available for benefits of $773 million, an increase of $54 million over the previous year.

An overview of the changes in net assets is as follows:

Income:		
Investment income	$ 23	$ 21
Increase in market value of investments	67	47
Contributions	7	9
	97	77
Expenditures:		
Superannuation allowances	41	40
Administration expenses	2	2
	$ 43	$ 42
Changes in net assets	$ 54	$ 35

In 2005, the Plan paid approximately $41 million in benefits and $2 million in administrative expenses. The administrative expenses represent fees paid to the investment managers and custodian for managing and recording the Plan's investments. These fees are based on the market value of assets under management. The cost of these services is 0.24% of the market value of the total assets in 2005, a slight decrease over the previous year.

Actuarial Valuation

The obligation of any defined benefit pension plan is to fulfill its pension promise — a commitment to provide lifetime periodic payments to eligible retired members. Meeting this pledge requires a sound financial base. To assess the financial status of the Plan, an actuarial valuation for accounting purposes is performed annually. In 2005, the Plan recognized an actuarial surplus of $3 million for financial statement reporting purposes, compared to a slight deficit for the previous year. The accrued pension benefits increased by $51 million due largely to changes in actuarial assumptions. Net assets available for benefits increased by $54 million, primarily due to an increase in the market value of the Plan's investments. It should be noted that regardless of the funded status of the Plan, the pensions of all Plan members, as outlined in the Act, are guaranteed by SaskPower, regardless of the financial performance of assets. Any deficiencies to superannuation allowances shall be met by payments from the revenues of SaskPower.

Net assets available for benefits	**$ 773**	$ 719
Accrued pension benefits	**770**	719
Surplus	**$ 3**	$ –

Actuarial Methodology and Assumptions: In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and the future events are deemed to occur according to these assumptions. This methodology is called a *best estimate actuarial valuation* because it attempts to arrive at the most likely outcome. The economic assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period. To value the liabilities, the actuary examines the Plan's demographics – the age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners, and surviving spouses who receive benefits from the Plan. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions.

Discount rate	**5.25%**	6.00%
Expected rate of return on Plan assets	**6.50%**	6.75%
Long-term rate of compensation increases	**3.50%**	4.00%
Long-term inflation rate	**2.50%**	3.00%
Ad hoc increases (% of CPI)	**50.00%**	50.00%

The following illustrates the sensitivity of some of the major assumptions used in preparing the actuarial valuation.

Retirement Age: By assuming a retirement age equal to the earliest age that a member can retire under the plan with a reduced pension, the Plan's surplus would increase by $3 million. Although the member would be receiving a pension at an earlier age and therefore, not contributing as much into the Plan, the final average salary used in calculating retirement benefits is also lower and results in the increase to the surplus.

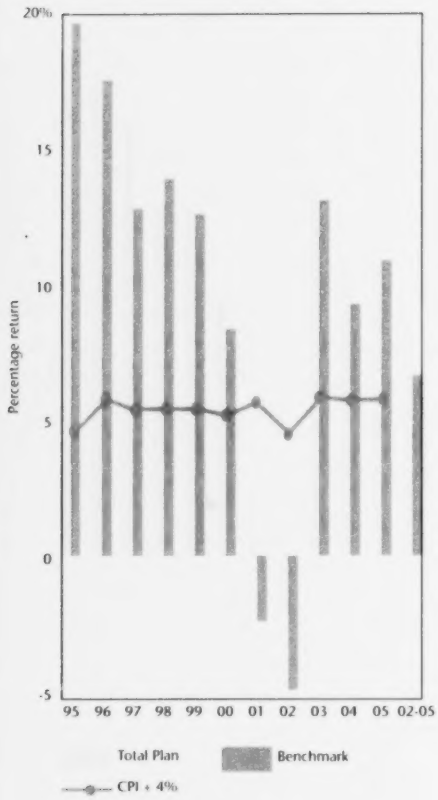
Discount Rate: An increase in the discount rate of 0.5% (from 5.25% to 5.75%) would result in an increase to the Plan's surplus of $40 million, as the present value of the necessary bond portfolio to cover the past service liabilities will be reduced.

Salary: A decrease to the real salary increase assumption of 0.5% (from 3.50% to 3.0%) would result in an increase to the Plan's surplus of $1 million. By decreasing the salary increase assumption, the final average salary at retirement and the level of benefits paid at retirement also decrease.

Inflation: An inflation rate assumption which is 0.5% lower than the assumed rate (2.00% vs. 2.50%) would result in a decrease to the Plan's surplus of $23 million. Ad hoc increases are based on the rate of inflation so a lower inflation rate means a lower ad hoc increase.

CPP at 67: By increasing the retirement age under the CPP to age 67 from age 65, the offset at age 65 under the SPCSP is effectively delayed for two years to age 67. This results in two years worth of increased pension payments, payable from the Plan, thus increasing the past and future service liabilities under the Plan, and decreasing the surplus by $6 million.

Plan Performance



Investment Performance: The Plan's performance is measured by comparing its return to that of the benchmark portfolio. During 2005, the Plan achieved a rate of return of 13.2%, beating the Plan's benchmark return of 10.8%. All asset classes, with the exception of U.S. equities, achieved rates of return higher than their benchmark in 2005.

A common standard within the pension fund industry is to calculate performance on a four-year cycle. This longer-term measure has greater relevance and lower volatility than a one-year measurement. Over the period 2002-2005, the Plan averaged an annual return of 8.5% as compared to the benchmark average of 6.6%.

The graph illustrates that returns fluctuate from year to year. The underlying volatility of individual asset class returns is even more pronounced. The Policy sets out a diversification strategy designed to mitigate the effects of this volatility. As a result, the Plan's returns have historically been more stable than the returns of any single asset class.

Financial Highlights

2005 saw the third consecutive year of solid performance by the Plan's assets. As countries such as China and India continue their rapid expansion, their demand for Canadian resources remains strong. High oil and commodity prices provided tremendous stimulus to the Canadian economy. The Plan currently has 25% of its holdings allocated to Canadian equities and was able to earn a 28.5% return on these assets. Overall, the Plan ended the year with net assets available for benefits of $773 million, an increase of $54 million over the previous year.

An overview of the changes in net assets is as follows:

Changes in Net Assets (in millions)	2005	2004
Income:		
Investment income	$ 23	$ 21
Increase in market value of investments	67	47
Contributions	7	9
	97	77
Expenditures:		
Superannuation allowances	41	40
Administration expenses	2	2
	$ 43	$ 42
Changes in net assets	$ 54	$ 35

In 2005, the Plan paid approximately $41 million in benefits and $2 million in administrative expenses. The administrative expenses represent fees paid to the investment managers and custodian for managing and recording the Plan's investments. These fees are based on the market value of assets under management. The cost of these services is 0.24% of the market value of the total assets in 2005, a slight decrease over the previous year.

Actuarial Valuation

The obligation of any defined benefit pension plan is to fulfill its pension promise — a commitment to provide lifetime periodic payments to eligible retired members. Meeting this pledge requires a sound financial base. To assess the financial status of the Plan, an actuarial valuation for accounting purposes is performed annually. In 2005, the Plan recognized an actuarial surplus of $3 million for financial statement reporting purposes, compared to a slight deficit for the previous year. The accrued pension benefits increased by $51 million due largely to changes in actuarial assumptions. Net assets available for benefits increased by $54 million, primarily due to an increase in the market value of the Plan's investments. It should be noted that regardless of the funded status of the Plan, the pensions of all Plan members, as outlined in the Act, are guaranteed by SaskPower, regardless of the financial performance of assets. Any deficiencies to superannuation allowances shall be met by payments from the revenues of SaskPower.

Actuarial Surplus (in millions)	2005	2004
Net assets available for benefits	$ 773	$ 719
Accrued pension benefits	770	719
Surplus	$ 3	$ –

Actuarial Methodology and Assumptions: In completing an actuarial valuation, certain future events must be considered. A number of assumptions are made and the future events are deemed to occur according to these assumptions. This methodology is called a *best estimate actuarial valuation* because it attempts to arrive at the most likely outcome. The economic assumptions are based on published five-year forecasts, investment policy and specific characteristics of the Plan membership, with extrapolation to the end of the benefit period. To value the liabilities, the actuary examines the Plan's demographics – the age, length of service and salary ranges of the membership. Information is processed on active members, deferred members and pensioners, and surviving spouses who receive benefits from the Plan. In addition, mortality, disability and termination of employment data are reviewed and factored into the valuation assumptions.

Best Estimate Valuation Economic Assumptions	2005	2004
Discount rate	**5.25%**	6.00%
Expected rate of return on Plan assets	**6.50%**	6.75%
Long-term rate of compensation increases	**3.50%**	4.00%
Long-term inflation rate	**2.50%**	3.00%
Ad hoc increases (% of CPI)	**50.00%**	50.00%

The following illustrates the sensitivity of some of the major assumptions used in preparing the actuarial valuation.

Retirement Age: By assuming a retirement age equal to the earliest age that a member can retire under the plan with a reduced pension, the Plan's surplus would increase by $3 million. Although the member would be receiving a pension at an earlier age and therefore, not contributing as much into the Plan, the final average salary used in calculating retirement benefits is also lower and results in the increase to the surplus.

Discount Rate: An increase in the discount rate of 0.5% (from 5.25% to 5.75%) would result in an increase to the Plan's surplus of $40 million, as the present value of the necessary bond portfolio to cover the past service liabilities will be reduced.

Salary: A decrease to the real salary increase assumption of 0.5% (from 3.50% to 3.0%) would result in an increase to the Plan's surplus of $1 million. By decreasing the salary increase assumption, the final average salary at retirement and the level of benefits paid at retirement also decrease.

Inflation: An inflation rate assumption which is 0.5% lower than the assumed rate (2.00% vs. 2.50%) would result in a decrease to the Plan's surplus of $23 million. Ad hoc increases are based on the rate of inflation so a lower inflation rate means a lower ad hoc increase.

CPP at 67: By increasing the retirement age under the CPP to age 67 from age 65, the offset at age 65 under the SPCSP is effectively delayed for two years to age 67. This results in two years worth of increased pension payments, payable from the Plan, thus increasing the past and future service liabilities under the Plan, and decreasing the surplus by $6 million.

Actuarial Opinion and Cost Certificate

Aon Consulting Inc. was retained by the Power Corporation Superannuation Board (the "Board") to perform an actuarial valuation of the assets and the liabilities of the Power Corporation Superannuation Plan (the "Plan") as at September 30, 2005, for accounting information purposes based on Section 3461 of the CICA Handbook. As part of the valuation, we examined the Plan's recent experience with respect to the non-economic assumptions and presented our findings to the Board. In addition, we provided the Board with a statistical survey and other information used to develop their long-term economic assumptions. The discount rate used for accounting purposes was determined in accordance with Section 3461 of the CICA Handbook.

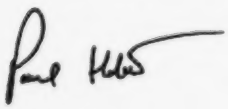
The valuation of the Plan's actuarial liabilities was based on:

- membership data provided by the Saskatchewan Power Corporation as at September 30, 2005;
- methods prescribed by Canadian Institute of Chartered Accountants for pension plan financial statements; and
- assumptions about future events (for example, future rates of inflation) which represent management's best estimate of these events.

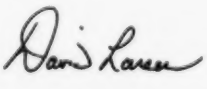
The objective of the financial statements is to fairly represent the financial position of the Plan on September 30, 2005, as a going concern. While the actuarial assumptions used to estimate liabilities for the Plan's financial statements represent management's best estimate of future events with the important exception of the discount rate, and, while we do not render a specific opinion on these assumptions, they are not unreasonable when considering the circumstances of the Plan and the purpose of the valuation. The Plan's future experience will inevitably differ, perhaps significantly, from the actuarial assumptions. Any differences between the actuarial assumptions and future experience will emerge as gains or losses in future valuations.

We have tested the data for reasonableness and consistency, and we believe it to be sufficient and reliable for the purposes of the valuation. We also believe that the methods employed in the valuation are appropriate for the purpose of the valuation. Our opinions have been given, and our valuation has been performed, in accordance with accepted actuarial practice.

The results of our accounting actuarial valuation disclosed total actuarial liabilities of $768,092,000 in respect of benefits accrued for service prior to September 30, 2005. The market value of assets at that date was $761,610,000 indicating an accounting actuarial deficit of $6,482,000. The total cost of benefits to be accrued in the twelve months following September 30, 2005, is $7,906,000 as at September 30, 2005.



Paul Hebert
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries
March 17, 2006



David R. Larsen
Fellow, Society of Actuaries
Fellow, Canadian Institute of Actuaries

Report of Management

The financial statements of the Power Corporation Superannuation Plan are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year. The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current period cannot be finalized with certainty until future periods. In management's opinion, the financial statements have been properly prepared within the framework of selected accounting policies summarized in the financial statements.

Management maintains appropriate systems of internal control which provide reasonable assurance that the Plan's assets are safeguarded and appropriately accounted for, that financial records are relevant, reliable and accurate and that transactions are executed in accordance with management's authorization. This system includes policies and procedures, as well as the appropriate delegation of authority and segregation of responsibilities. An internal audit function independently evaluates the effectiveness of these controls and reports its findings to the SaskPower Board of Directors.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. At regular meetings the Board reviews audit, internal control and financial reporting matters with management, and the external auditors to satisfy itself that each is properly discharging its responsibilities. The annual report, financial statements and the external auditors' report have been reviewed and approved by the Board. The external auditors have full and open access to the Board, with and without the presence of management.

The financial statements have been examined by Deloitte & Touche LLP, Chartered Accountants, as appointed by the Crown Investments Corporation of Saskatchewan and approved by the Lieutenant Governor in Council. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report, which follows, outlines the scope of their examination and sets forth their opinion.

On behalf of management,

Scott Chomos, CMA
Supervisor, Treasury Accounting
SaskPower
March 17, 2006

Troy King, CMA
Controller
SaskPower

Auditors' Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits and accrued pension benefits and surplus/(deficit) of the Power Corporation Superannuation Plan as at December 31, 2005, and the statements of changes in net assets available for benefits and changes in accrued pension benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits and accrued pension benefits and surplus/(deficit) of the Plan as at December 31, 2005, and the changes in the net assets available for benefits and the changes in accrued pension benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Regina, Saskatchewan
March 17, 2006

Statement of Net Assets Available for Benefits and Accrued Pension Benefits and Surplus/(Deficit) (in thousands)

As at December 31	2005	2004
Assets		
Investments, at market (schedule)		
Short-term securities	$ 5,892	$ 86,917
Bonds	262,743	249,242
Equities	502,664	380,052
	771,299	716,211
Receivables		
Employees' contributions	43	38
Sponsors' contributions	49	43
Accrued investment income	2,180	2,422
Other receivables	19	425
	2,291	2,928
Cash	499	838
Total assets	774,089	719,977
Liabilities		
Accounts payable	997	1,124
Net assets available for benefits	773,092	718,853
Accrued pension benefits and surplus/(deficit)		
Accrued pension benefits	769,913	718,991
Surplus/(deficit)	3,179	(138)
Accrued pension benefits and surplus/(deficit)	$ 773,092	$ 718,853

See accompanying notes

On behalf of the Board:

W. Davern Jones
Chair

Grant Ring, CMA
Director

Statement of Changes in Net Assets Available for Benefits (in thousands)

For the year ended December 31	2005	2004
Increase in net assets		
Investment income		
Interest		
Short-term securities	$ 1,688	$ 1,340
Bonds *(Note 6)*	11,462	11,334
Miscellaneous income	–	13
	13,150	12,687
Dividends	10,019	8,125
	23,169	20,812
Increase in market values of investments	66,733	47,349
Contributions *(Note 5)*		
Employees'	1,652	1,697
Sponsors'	5,198	7,536
	6,850	9,233
Total increase in net assets	96,752	77,394
Decrease in net assets		
Superannuation allowances	40,486	39,543
Transfers and refunds on terminations	167	788
Administrative expenses *(Notes 6 and 7)*	1,860	1,772
Total decrease in net assets	42,513	42,103
Changes in net assets	54,239	35,291
Net assets available for benefits, beginning of year	718,853	683,562
Net assets available for benefits, end of year	$ 773,092	$ 718,853

See accompanying notes

Statement of Changes in Accrued Pension Benefits (in thousands)

For the year ended December 31	2005	2004
Increase in accrued pension benefits		
Interest on accrued benefits	$ 42,375	$ 44,089
Changes in actuarial assumptions	46,463	21,264
Benefits accrued	7,582	7,388
	96,420	72,741
Decrease in accrued pension benefits		
Benefits paid	40,653	40,471
Experience gains and other	4,845	17,716
	45,498	58,187
Accrued pension benefits, beginning of year	718,991	704,437
Accrued pension benefits, end of year	$ 769,913	$ 718,991

See accompanying notes

Notes to Financial Statements As at December 31, 2005

1. Description of Plan

The following description of The Power Corporation Superannuation Plan (the Plan) is a summary only. For more complete information, reference should be made to *The Power Corporation Superannuation Act, The Superannuation (Supplementary Provisions) Act* and *The Superannuation Acts Uniform Regulations.*

a) General

The Plan is a defined benefit pension plan maintained by Saskatchewan Power Corporation (the Corporation) for those employees who were hired prior to October 1, 1977, and who did not elect to transfer to the Public Employees Pension Plan, a defined contribution plan, before October 1, 1978. The Plan is administered by a seven-person Board appointed by the Lieutenant-Governor in Council.

b) Members' Contributions

Plan members contribute a percentage of their salary, at a rate based on their age when they became a contributor to the Plan following their most recent date of employment, and any agreements for an employee group, less a reduction for Canada Pension Plan integration.

An employee makes no further contributions after 35 years of pensionable service.

c) Retirement Allowances

The Plan provides an unreduced retirement allowance at age 65 with at least five years pensionable service, at age 60 with at least 20 years pensionable service, or upon completion of 35 years pensionable service.

Retirement allowances are based on 2% of the best five-year average annual salary multiplied by the years of pensionable service, up to a maximum of 35 years, subject to Canada Revenue Agency maximums. At age 65, the retirement allowance is reduced due to integration with the Canada Pension Plan for pensionable service from January 1, 1966.

Employees may retire with an early-reduced retirement allowance at age 55 with at least 30 years pensionable service, or at age 60 with at least 15 years pensionable service. Both age and service criteria must be met to be eligible for an early-reduced retirement.

The Lieutenant-Governor in Council may increase retirement allowances up to the average of the Consumer Price Index (CPI) for Saskatoon and Regina in the preceding year. Increases are subject to the maximum increase permitted under *The Income Tax Act* (Canada).

d) Survivors' Allowances

Death benefits are available to a qualifying surviving spouse in the form of a survivor allowance. A qualifying surviving spouse is the spouse at the time of retirement. The retirement allowance paid to the spouse will be based upon the member's selection at retirement or at the time of conversion.

Effective June 27, 2003, retired members who have had a change in marital status after retirement may apply to convert their retirement allowance to recognize their new spouse, provided certain criterion are met.

Members may select the basic retirement allowance that will pass 60% of the retirement allowance that they would have received to their spouse. Effective June 25, 1996, for death prior to age 65, the surviving spouse will receive 60% of the deceased member's lifetime retirement allowance, plus 60% of the bridge benefit (the amount due to Canada Pension Plan integration payable until the member would have turned age 65).

Alternatively, members may select the 75% (effective April 1, 2002) or the 100% option. The spouse will receive 75% or 100% of the lifetime retirement allowance, plus 75% or 100% of the bridge benefit, the amount due to Canada Pension Plan integration, until the member would have turned age 65.

On and after June 28, 2001, and in the event of pre-retirement death, the spouse will receive a retirement allowance based upon the member's credited service as of the date of death. The survivor's allowance would be based on the greater of the basic retirement allowance of 60% plus any children's payments, or 100% actuarial equivalent. The spouse would receive the applicable percentage of the members' lifetime pension plus the bridge benefit.

Additional survivor benefits for dependent children may apply.

If no one is eligible to receive a survivor's allowance from the Plan, then the total of the member's contributions, plus legislated interest, less any retirement allowances paid up to the member's time of death, will be paid to the member's estate.

e) Deferred Allowances

An employee who is at least 30 years of age and has at least 10 years continuous pensionable service may elect to receive a deferred allowance upon ceasing employment.

Subject to re-employment limitations pursuant to *The Superannuation (Supplementary Provisions) Act*, the earliest that a deferred member with at least 10 years pensionable service and up to 20 years pensionable service may commence an unreduced retirement allowance, is at age 65. The earliest that a deferred member with greater than 20 years pensionable service may commence an unreduced retirement allowance, is at age 60.

f) Refunds and Transfers

Upon ceasing employment and prior to becoming eligible to receive an unreduced retirement allowance, Plan members may elect to receive a refund of their contributions plus legislated interest, as a lump-sum payment less statutory deductions, a transfer to their registered retirement savings plan or a transfer pursuant to the terms of an existing reciprocal agreement to another registered pension plan. Once a refund or transfer has been processed, the member or their family has no further claim to the Plan.

g) Other Benefits

Under certain circumstances, members may purchase additional credited service in the Plan.

h) Income Taxes

The Plan is a registered pension plan as defined in *The Income Tax Act* and is not subject to income taxes. Retirement allowances paid from the Plan are subject to source deductions that are withheld by SaskPower and remitted to the Receiver General for Canada.

2. Summary of Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting prirlciples. The following policies are considered to be significant:

a) Investments

Investments are recorded as of the trade date and are stated at fair value. Fair value is the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing partners who are under no compulsion to act.

Bonds and equities are valued using year-end market quotations. Pooled funds are valued based on the quoted market price of the underlying investments.

b) Investment Income

Investment income consists of interest on bonds and short-term securities which is recognized as it accrues and dividend income which is recognized as of the ex-dividend date.

c) Foreign Exchange

Foreign investment purchases, sales and income are recorded in Canadian dollars at exchange rates in effect at the transaction date. Foreign-denominated investments and accrued investment income are translated at year-end exchange rates. The unrealized gains and losses arising from this translation are included in the statement of changes in net assets available for benefits as part of the increase in market value of investments.

3. Investments

The investment objectives of the Plan are to ensure the Plan has sufficient assets to meet future pension obligations to optimize the risk/return relationship of the Plan and to generate sufficient cash flow to meet pension payments. Due to the long-term horizon of the Plan's liabilities, the Plan takes a long-term investment perspective. The strategy employed to achieve these objectives is to invest cash flows from maturing bonds and investment returns into a diversified pool of assets such as Canadian and foreign equities, money market securities and bonds. The Plan's target asset mix is 65% equity/35% fixed income.

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. Interest rate risk is managed by investing in a portfolio of fixed term securities with varying durations.

The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets. The value of liabilities, as measured in current dollars, is subject to fluctuations of long-term interest rates.

b) Market Risk

The Plan invests in publicly traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Plan manages market risk by investing in different domestic and foreign markets and through the establishment and review of asset mix ranges and limits for various investments. The Plan does not use derivative financial instruments, except for the use of U.S. dollar future contracts on short-term securities as noted below.

c) Credit Risk

Credit risk arises from the potential for an investee or for a counterparty to default on its contractual obligation to the Plan. The Plan limits the credit risk by dealing with counterparties that are considered to be high quality. The credit ratings used to describe the following securities are based on the Dominion Bond Rating Service.

Short-Term Securities (in thousands)

The Plan invests in short-term securities that have an R1 (high quality) or equivalent rating. At December 31, 2005, the Plan held Canadian dollar denominated investments of $5,892 (2004 - $6,438) maturing within five to 90 days (2004 - 5 to 111 days) at yields of 3.4% to 4.0% (2004 - 2.3% to 3.9%). There were no U.S. dollar denominated short term investments at December 31, 2005. In 2004, the Plan held U.S. dollar denominated investments of $80,479 maturing within four to 75 days at yields of 2.2% to 3.9%.

The U.S. dollar denominated investments in 2004 were part of an indexing strategy to earn investment returns based on the S&P 500 index using S&P 500 index futures.

Due to the elimination of foreign content restrictions in 2005, the utilization of S&P 500 index futures was no longer necessary. As a result, in October of 2005, the Plan elected to switch from Northwater Capital Management Inc. to Barclays Global Investors (BGI) and invest in a pooled fund designed to replicate the performance of the S&P 500.

Bonds (in thousands)

The Plan invests in bonds, considered to be high quality, as follows:

(in thousands)		2005		2004	
	Years to Maturity	**Market Value**	**Average Yield (%)**	Market Value	Average Yield (%)
Federal bonds	1-5	**$ 108,657**	**3.52**	$ 92,708	3.53
	6-10	**9,431**	**4.25**	–	–
	11-15	**–**	**–**	15,435	4.70
	20+	**23,548**	**5.38**	30,068	5.00
		141,636		138,211	
Provincial bonds	1-5	**12,784**	**5.45**	13,370	5.32
	6-10	**15,719**	**5.23**	21,255	5.15
	11-15	**8,234**	**5.28**	2,561	5.20
	16-20	**5,127**	**6.23**	–	–
	20+	**30,845**	**5.89**	20,311	5.44
		72,709		57,497	
Corporate bonds	1-5	**27,651**	**5.15**	21,608	4.91
	6-10	**7,031**	**5.15**	12,977	5.19
	11-15	**5,199**	**5.17**	5,677	5.20
	16-20	**3,075**	**7.74**	1,644	6.10
	20+	**5,442**	**5.98**	11,628	5.82
		48,398		53,534	
Total bonds		**$ 262,743**		$ 249,242	

Federal and federally guaranteed bonds have a credit rating of AAA. Provincial and provincially guaranteed bonds have a credit rating range of BBB to AA. Corporate bonds have a credit rating range of BBB to AAA. The Plan has established quality standards for corporate fixed income issues as follows:

BBB	20%
A	40%
AA or higher	No limit

At December 31, 2005, the Plan's bond portfolio was comprised of $2,573 (1%) in BBB, $56,293 (21%) in A, and $203,878 (78%) in AA or higher. In 2004, the Plan held $3,892 (2%) in BBB, $46,555 (19%) in A, and $198,795 (79%) in AA or higher.

Equities (in thousands)

The Plan's equity investments are held as portfolio investments and are generally readily marketable. In 2005, the Federal Government lifted the restrictions around foreign content limits, allowing pension plans to invest up to 100% of their registered assets anywhere in the world. In 2004, this limit was set at 30% of total equity based on book value. During the year, 38.3% of the Plan's total equity was invested in mandates outside of Canada.

Investments are generally limited to stocks that are publicly traded on a recognized securities market. The Plan's equities include common shares that have no fixed maturity date and are generally not directly exposed to interest rate risks. Dividends are generally declared on a quarterly basis.

The following is a breakdown of specific equities held in the Plan with a market value exceeding $5,000:

Bank of Nova Scotia	296	$ 13,666
Royal Bank of Canada	145	13,154
Manulife Financial Corporation	180	12,299
Talisman Energy Inc.	178	10,950
Encana Corporation Common	157	8,262
Nexen Inc.	124	6,861
Jarislowsky Fraser Spec Equity Pld Fund	253	5,812
Toronto Dominion Bank	94	5,722
Canadian National Railway	61	5,636
TransCanada Corporation Common	152	5,581
SNC-Lavalin Group Inc.	69	5,264

Pooled Funds (in thousands)

In 2005, the Plan held $179,940 (2004 - $87,314) in pooled funds. The increase from previous year is due to funds transferred from short term securities held by Northwater Capital Management Inc., to a pooled fund held by Barclays Global Investors. A pooled fund is a group of individual securities managed by an investment manager. The unit price of the pooled fund is determined by the overall performance of each of the stocks in the fund.

The following is a breakdown by investment manager of pooled fund assets held in the portfolio:

(in thousands of CDN dollars)	**2005**		2004	
	Investments	**% of Plan Investments**	Investments	% of Plan Investments
Barclays Global Investors	**$ 82,207**	**10.7**	$ –	–
Greystone Managed Investments Inc. (1)	**91,921**	**11.9**	81,824	11.4
Jarislowsky Fraser	**5,812**	**0.8**	5,490	0.8
Total pooled fund assets	**$ 179,940**	**23.4**	$ 87,314	12.2

(1) Greystone Managed Investments Inc. has delegated the management of these funds to Goldman Sachs and Hansberger Global Investors.

Due to the elimination of foreign content restrictions in 2005, the utilization of S&P 500 index futures was no longer necessary. As a result, in October of 2005, the Plan elected to switch from Northwater Capital Management Inc. to Barclays Global Investors (BGI) and invest in a pooled fund designed to replicate the performance of the S&P 500.

Bonds (in thousands)

The Plan invests in bonds, considered to be high quality, as follows:

(in thousands)		2005		2004	
	Years to Maturity	**Market Value**	**Average Yield (%)**	Market Value	Average Yield (%)
Federal bonds	1-5	**$ 108,657**	**3.52**	$ 92,708	3.53
	6-10	**9,431**	**4.25**	–	–
	11-15	**–**	**–**	15,435	4.70
	20+	**23,548**	**5.38**	30,068	5.00
		141,636		138,211	
Provincial bonds	1-5	**12,784**	**5.45**	13,370	5.32
	6-10	**15,719**	**5.23**	21,255	5.15
	11-15	**8,234**	**5.28**	2,561	5.20
	16-20	**5,127**	**6.23**	–	–
	20+	**30,845**	**5.89**	20,311	5.44
		72,709		57,497	
Corporate bonds	1-5	**27,651**	**5.15**	21,608	4.91
	6-10	**7,031**	**5.15**	12,977	5.19
	11-15	**5,199**	**5.17**	5,677	5.20
	16-20	**3,075**	**7.74**	1,644	6.10
	20+	**5,442**	**5.98**	11,628	5.82
		48,398		53,534	
Total bonds		**$ 262,743**		$ 249,242	

Federal and federally guaranteed bonds have a credit rating of AAA. Provincial and provincially guaranteed bonds have a credit rating range of BBB to AA. Corporate bonds have a credit rating range of BBB to AAA. The Plan has established quality standards for corporate fixed income issues as follows:

Debt Rating	Maximum % of Fixed Income Portfolio
BBB	20%
A	40%
AA or higher	No limit

At December 31, 2005, the Plan's bond portfolio was comprised of $2,573 (1%) in BBB, $56,293 (21%) in A, and $203,878 (78%) in AA or higher. In 2004, the Plan held $3,892 (2%) in BBB, $46,555 (19%) in A, and $198,795 (79%) in AA or higher.

Equities (in thousands)

The Plan's equity investments are held as portfolio investments and are generally readily marketable. In 2005, the Federal Government lifted the restrictions around foreign content limits, allowing pension plans to invest up to 100% of their registered assets anywhere in the world. In 2004, this limit was set at 30% of total equity based on book value. During the year, 38.3% of the Plan's total equity was invested in mandates outside of Canada.

Investments are generally limited to stocks that are publicly traded on a recognized securities market. The Plan's equities include common shares that have no fixed maturity date and are generally not directly exposed to interest rate risks. Dividends are generally declared on a quarterly basis.

The following is a breakdown of specific equities held in the Plan with a market value exceeding $5,000:

Corporate Shares (in thousands)	Shares	Market Value
Bank of Nova Scotia	296	$ 13,666
Royal Bank of Canada	145	13,154
Manulife Financial Corporation	180	12,299
Talisman Energy Inc.	178	10,950
Encana Corporation Common	157	8,262
Nexen Inc.	124	6,861
Jarislowsky Fraser Spec Equity Pld Fund	253	5,812
Toronto Dominion Bank	94	5,722
Canadian National Railway	61	5,636
TransCanada Corporation Common	152	5,581
SNC-Lavalin Group Inc.	69	5,264

Pooled Funds (in thousands)

In 2005, the Plan held $179,940 (2004 - $87,314) in pooled funds. The increase from previous year is due to funds transferred from short term securities held by Northwater Capital Management Inc., to a pooled fund held by Barclays Global Investors. A pooled fund is a group of individual securities managed by an investment manager. The unit price of the pooled fund is determined by the overall performance of each of the stocks in the fund.

The following is a breakdown by investment manager of pooled fund assets held in the portfolio:

(in thousands of CDN dollars)	2005		2004	
	Investments	**% of Plan Investments**	Investments	% of Plan Investments
Barclays Global Investors	**$ 82,207**	**10.7**	$ –	–
Greystone Managed Investments Inc. (1)	**91,921**	**11.9**	81,824	11.4
Jarislowsky Fraser	**5,812**	**0.8**	5,490	0.8
Total pooled fund assets	**$ 179,940**	**23.4**	$ 87,314	12.2

(1) Greystone Managed Investments Inc. has delegated the management of these funds to Goldman Sachs and Hansberger Global Investors.

d) Foreign Currency Risk (in thousands)

Foreign currency exposure arises from the Plan holding investments denominated in currencies other than the Canadian Dollar. Fluctuations in the relative value of the Canadian Dollar against these foreign currencies results in a positive or negative effect on the fair value of investments.

	2005		2004	
	Investments (CDN Dollars)	**% of Plan Investments**	Investments (CDN Dollars)	% of Plan Investments
Canadian short-term securities denominated in U.S. dollars (1)	**$ –**	**–**	$ 80,479	11.2
Global equities (2)	**121,287**	**15.7**	110,483	15.4
Non-North American pooled fund (3)	**91,921**	**11.9**	81,824	11.4
U.S. Equities (4)	**82,207**	**10.7**	–	–
Total foreign currency exposure	**$ 295,415**	**38.3**	$ 272,786	38.0

(1) These investments were part of an indexing strategy for which Northwater Capital Management Inc. was retained to manage. The intent of the indexing strategy was to replicate the S&P 500 index total returns. In 2005, the fund switched to a pooled fund strategy managed by Barclays Global Investors.

(2) Templeton Management Limited was retained to invest Plan assets in international equities on a segregated basis.

(3) These assets are pooled equity funds and are part of the Greystone Managed Investments Inc. mandate. Greystone Managed Investments Inc. has delegated the management of these funds to Goldman Sachs and Hansberger Global Investors.

(4) These assets are pooled U.S. equity funds which Barclays Global Investors manages.

The foreign currency exposure in both the global equity and non-North American pooled fund mandates can be further broken down as follows:

(in thousands of CDN dollars)	2005 Foreign Currency Exposure	2004 Foreign Currency Exposure
United Kingdom	$ 44,755	$ 40,032
Japan	32,453	27,785
United States	30,891	23,553
France	14,793	15,478
Hong Kong	9,463	9,821
Netherlands	8,855	9,739
Korea	8,506	5,359
Germany	7,897	12,638
Spain	7,238	7,129
Switzerland	7,192	6,517
Denmark	6,642	4,068
Other	34,523	30,188
Total Global and International Equities	$ 213,208	$ 192,307

4. Obligations for Pension Benefits

The present value of accrued pension benefits is determined using the projected benefit method prorated on service and reflects management's best estimates of future investment performance, wage and salary escalation, age at retirement and future pension indexing up to the rate of inflation. An actuarial valuation for accounting purposes was prepared as of September 30 for both years by Aon Consulting Inc. and was then extrapolated to December 31 of each year.

The actuarial present value of accrued pension benefits is deducted from the net assets available for benefit to calculate the actuarial surplus/(deficit).

The assumptions used in determining the actuarial value of accrued pension benefits may change from year to year depending on current and long-term market conditions. The following is a summary of the actuarial assumptions:

	2005	2004
Discount rate	5.25%	6.00%
Expected rate of return on plan assets	6.50%	6.75%
Long-term inflation rate	2.50%	3.00%
Long-term rate of compensation increases	3.50%	4.00%
Assumption for ad hoc increases (% of CPI)	50.00%	50.00%
Remaining service life (years)	4.45	5.13

5. Funding Policy (in thousands)

In accordance with *The Power Corporation Superannuation Act*, the Corporation contributes such amounts as are necessary to fund the payments provided by the Plan. Some Plan members are employees of other corporations that have been designated by the Lieutenant-Governor in Council as institutions. For these corporations, effective June 28, 2001, an actuary will determine the required employer contribution for their active Plan members. In 2005, SaskPower contributed $4,742 into the Plan. This amount was based on the recommendation made by the Plan's actuary.

6. Related Party Transactions (in thousands)

a) Administration

As indicated in Note 7, certain administration costs are paid by the Corporation.

b) Investments

	2005		2004	
	Investments	**Investment Income**	Investments	Investment Income
Province of Saskatchewan bonds	**$ 4,415**	**$ 190**	$ 3,256	$ 265

7. Administration Costs

The Superannuation (Supplementary Provisions) Act permits the Board to engage technical and professional advisers, specialists and consultants for the purposes of managing, investing and disposing of Plan assets, with the related costs to be paid by the Plan.

a) Administration (in thousands)

The costs to administer the Plan are borne by the Corporation and are therefore not reflected in the Plan financial statements. The costs typically paid for by the Corporation include audit and actuarial fees as well as general administration costs. However, investment management, custodial and consulting fees are paid by the Plan. In 2005, the Corporation paid $93 (2004 - $75) for costs relating to the Plan. These figures do not include salaries paid to employees of SaskPower who serve as staff advisors or administrators of the Plan.

The Board has developed, with the assistance of its consultant, James P. Marshall, specific investment policies and guidelines to which the investment managers must adhere when making investment decisions.

b) Investment Management Services

Greystone Managed Investments Inc., Jarislowsky Fraser Ltd., Templeton Management Limited and Barclays Global Investors invested the monies of the Plan during the year, under a contract to provide services.

c) Custodian Services

The custodian for the Plan assets is responsible for the safekeeping of all assets and property of the Plan; processing and handling of investment transactions; reviewing and documenting investment compliance of the managers; and providing SaskPower with detailed reports identifying the specific assets held in the plan. Custodian services were provided by RBC Dexia Investor Services.

d) Board Member Training

Each Board member is allocated up to $6,000 per annum to use on a variety of training courses held throughout the year. Such courses or seminars would cover topics including investment performance, risk management and asset allocation. This expense will ensure that all Board members have adequate training and remain up to date on the various issues that relate to prudent plan governance.

In 2005, Board member training costs totalled $23,648.

8. Investment Performance (in thousands)

The investment manager makes the day-to-day decisions on whether to buy or sell specific investments in order to achieve the long-term performance objectives set by the Board. The Board reviews the investment performance of the Plan in terms of the performance of the benchmark portfolio over a rolling four-year period. The Plan's benchmark has been determined using the actual returns of market indexes such as the Scotia Capital Universe Bond Index, TSX Composite index, Morgan Stanley Capital International, Europe, Australia, Far East index, Morgan Stanley World Index and the S&P 500 index. The primary long-term investment performance objective for the entire portfolio is to out-perform a benchmark portfolio. If achieved, the return on this balanced portfolio would provide the necessary return to fund the pensions promised with an acceptable level of risk.

The following is a summary of the Plan's investment performance as provided by James P. Marshall:

	2005		2004	
	Investment Return	**Investment Benchmark Return**	Investment Return	Investment Benchmark Return
Fixed income	**7.0%**	**6.5%**	8.0%	7.1%
Canadian equity	**28.5%**	**24.1%**	18.4%	14.5%
United States equity	**2.1%**	**2.3%**	3.5%	3.3%
Non-North American equity	**12.9%**	**10.7%**	5.5%	12.0%
Global equity	**9.5%**	**6.2%**	11.2%	6.9%
Plan's actual rate of return	**13.2%**	**10.8%**	10.3%	9.2%
Four year rolling average return	**8.5%**	**6.6%**	5.5%	3.3%

In 2005, the Plan achieved an increase to the market value of its investments of $66,733. Unrealized market value gains of $45,673 and realized market value gains of $21,666, which includes a realized foreign exchange loss of $3,505, were partially offset by an unrealized foreign exchange loss of $606. The foreign exchange loss is due to the rise of the Canadian dollar, from U.S. $0.8308 as at December 31, 2004, to U.S. $0.8577 as at December 31, 2005.

In 2004, the Plan achieved an increase to the market value of its investments of $47,349. Unrealized market value gains of $14,760 and realized market value gains of $37,905 were partially offset by a foreign exchange loss of $5,316.

Schedule of Investments (in thousands)

As at December 31	2005	2004
Short-term securities *(Note 3)*		
Canada	$ 5,892	$ 6,438
U.S.	–	80,479
	5,892	86,917
Bonds *(Note 3)*		
Government of Canada and federally-guaranteed	141,636	138,211
Provincial and provincially-guaranteed *(Note 6)*	72,709	57,497
Corporate	48,398	53,534
	262,743	249,242
Equities *(Note 3)*		
Canada	207,249	187,745
International/global	213,208	192,307
U.S.	82,207	–
	502,664	380,052
	$ 771,299	$ 716,211

Five-Year Review
Net Assets Available for Benefits (in thousands)

For the year ended December 31	**2005**	2004	2003	2002	2001
Assets					
Investments, at market					
Short-term securities	**$ 5,892**	$ 86,917	$ 108,690	$ 54,652	$ 73,865
Bonds	**262,743**	249,242	230,403	321,543	324,892
Equities	**502,664**	380,052	344,467	259,286	295,505
Mortgages	**–**	–	–	–	671
	771,299	716,211	683,560	635,481	694,933
Receivables					
Employees' contributions	**43**	38	40	41	46
Sponsors' contributions	**49**	43	48	49	44
Accrued investment income	**2,180**	2,422	2,200	3,627	3,950
Other receivables	**19**	425	29	9,298	562
	2,291	2,928	2,317	13,015	4,602
Cash	**499**	838	6,687	1,161	107
Total assets	**774,089**	719,977	692,564	649,657	699,642
Liabilities					
Accounts payable	**997**	1,124	9,002	8,860	1,321
Net assets available for benefits	**$ 773,092**	$ 718,853	$ 683,562	$ 640,797	$ 698,321

Five-Year Review
Changes in Net Assets Available for Benefits (in thousands)

	2005	2004	2003	2002	2001
Increase in net assets					
Investment income					
Interest					
Short-term securities	$ **1,688**	$ 1,340	$ 321	$ 1,676	$ 3,346
Bonds *(Note 6)*	**11,462**	11,334	15,618	17,888	18,336
Miscellaneous income	**–**	13	16	4	53
	13,150	12,687	15,955	19,568	21,735
Dividends	**10,019**	8,125	6,708	5,427	6,608
	23,169	20,812	22,663	24,995	28,343
Increase in market values of investments	**66,733**	47,349	58,916	(44,975)	(24,834)
Contributions *(Note 5)*					
Employees'	**1,652**	1,697	1,781	1,860	1,908
Sponsors'	**5,198**	7,536	498	598	479
Transfers	**–**	–	–	272	–
	6,850	9,233	2,279	2,730	2,387
Total increase in net assets	**96,752**	77,394	83,858	(17,250)	5,896
Decrease in net assets					
Superannuation allowances	**40,486**	39,543	39,451	38,693	38,110
Transfers and refunds on terminations	**167**	788	–	62	345
Administrative expenses *(Notes 6 and 7)*	**1,860**	1,772	1,642	1,519	1,594
Total decrease in net assets	**42,513**	42,103	41,093	40,274	40,049
Changes in net assets	**54,239**	35,291	42,765	(57,524)	(34,153)
Net assets available for benefits, beginning of year	**718,853**	683,562	640,797	698,321	732,474
Net assets available for benefits, end of year	$ **773,092**	$ 718,853	$ 683,562	$ 640,797	$ 698,321

Five-Year Review
Net Assets Available for Benefits and Accrued Pension Benefits and Surplus/(Deficit) (in thousands)

	2005	2004	2003	2002	2001
Assets					
Investments	**$ 771,299**	$ 716,211	$ 683,560	$ 635,481	$ 694,933
Receivables	**2,291**	2,928	2,317	13,015	4,602
Cash	**499**	838	6,687	1,161	107
	774,089	719,977	692,564	649,657	699,642
Liabilities	**997**	1,124	9,002	8,860	1,321
Net assets available for benefits	**773,092**	718,853	683,562	640,797	698,321
Accrued pension benefits	**769,913**	718,991	704,437	674,463	640,650
Surplus/(deficit)[1]	**$ 3,179**	$ (138)	$ (20,875)	$ (33,666)	$ 57,671

[1] Surplus/(deficit) is based on the estimated value of assets and pension liabilities as at December 31 of each year and does not take into account any estimate for future pension liabilities that might accrue as a result of future years of pensionable service.

Glossary

Active Plan Member: Plan member making (or deemed to be making) regular contributions to the plan, including those on an approved leave of absence (with or without pay), those receiving benefits from a short-term illness and injury plan or approved long-term disability plan, and those who are no longer required to contribute.

Actuarial Assumptions: Estimates of future events that will affect a plan's costs for future employee benefits. Examples of these estimates are: rates of return on plan assets, termination rates, retirement age, mortality, dependency status, future salary and benefit levels.

Actuarial Valuation: Prepared by an actuary to determine the financial status of the benefit plan. It considers the value of plan assets and determines whether the contribution rates are adequate.

Actuary: Professional trained in technical aspects of pensions.

Ad hoc: Contrived purely for the purpose in hand rather than planned carefully in advance.

Asset Allocation: The division of assets among different categories such as equities, bonds and international investments.

Bridge Benefits: A temporary pension to supplement the regular lifetime pension. Payable from the early retirement age; ending upon the age when Old Age Security full Canada Pension Plan benefits start.

Bonds: Long-term debt instrument from a company or government that provides regular interest payments to the bond-holder and repays the face value at maturity.

Consumer Price Index: Measures monthly and yearly changes in the cost of 300 goods and services commonly bought by Canadians. If the combined cost of this "basket" of items goes up, then there has been inflation. The greater the increase, the higher the inflation rate has become. The pension is indexed to the cost of living, and the consumer price index is one of the factors used to calculate annual cost of living increases for pension benefits.

Counterparty: An individual or organization with whom one transacts business.

Custodian: Holds assets for safekeeping for the pension plan, may collect income and dividends and do simple reporting on assets.The custodian does not have fiduciary responsibility.

Deferred Pension: A pension payable at a later date, either because the plan member terminates employment before the earliest date at which the pension may begin, or because the plan member chooses to have the pension commence at a later date. For example, a plan member may choose to defer a pension in order to later receive an unreduced pension.

Defined Benefit Plan: Pension plan that provides a defined benefit based on a formula including factors such as years of service and average earnings.

Defined Contribution Plan: Pension plan that specifies the amount to be contributed to the plan. Contributions, salary and time period determine the benefit.

Equities: Common stock or ownership in a company.

Fair Value: Dollar amount that two parties consider appropriate for a transaction.

Funding: The systematic depositing of current service contributions and special payments into the pension fund.

Futures: Contractual agreements to either buy or sell an asset at a specified price and date in the future.

Governance: The decision-making structures and supporting policies and procedures that enable an organization to achieve its pension objectives and discharge its pension obligations to its legal owners and others.

Index: Method of measuring the investment manager's performance through benchmarks of similar assets.

Investment Advisor: Provides analytical review of the total fund, asset classes and the investment managers' performance, relative to peers and plan benchmarks.

Investment Manager: Devises and implements an investment strategy within a given mandate.

Money Market: A market for short-term debt instruments.

Notional Value: Amount to which a rate or price is applied in order to calculate the exchange of cash flows.

Plan Sponsor: Employer sponsoring the pension plan.

Pooled Funds: Group of individual securities managed by an investment manager.

Securities: Stocks, bonds and notes that give evidence to and assure the fulfillment of a commitment.

Standard & Poor's (S&P) 500: Comparison portfolio made up of common stocks that are used to measure performance of other stock funds.

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